

STATUS OF DEMOCRACY, EDUCATION, AND PRIVATE SECTOR DEVELOPMENT

This SIGIR review examines U.S. spending on democracy programs, education, and private sector development. Projects reviewed in this sector include construction or rehabilitation of education facilities and training programs in education, democracy, and private sector development. Many of the private sector development projects have focused on providing the Iraqi government with technical advice on institutional and market reforms.¹⁵⁴

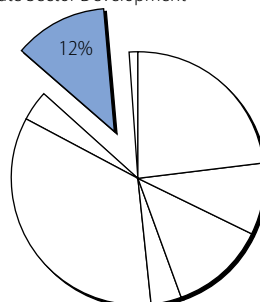
After initially focusing IRRF 2 funding almost exclusively on large infrastructure projects in 2004, U.S. spending in this sector was reoriented through a series of reallocations specifically designed to support elections in 2005.

These are the highlights of the report on democracy, education, and private sector development:

- These sectors have IRRF 2 allocations of \$2.249 billion. (See figure 2-19.) Other donors, including the World Bank, have seen education as a priority and have funded projects in this sector. In their 2003 needs assessment, the UN and World Bank estimated that the human resource development sectors needed \$6.7 billion in the near- and medium-term.¹⁵⁵
- More than 90% of projects (8,613) have been completed in this sector, and 872 are ongoing.
- A total of 5,108 schools have been repaired and rehabilitated, and more than 47,000 teachers have been trained. It has been difficult to derive the precise number of schools refurbished and constructed because these projects had multiple funding sources and implementing agencies.

Figure 2-19
**DEMOCRACY, EDUCATION, AND
PRIVATE SECTOR DEVELOPMENT SECTOR
AS A SHARE OF IRRF FUNDS**
% of \$18.439 Billion
Source: DoS Iraq Weekly Status Report, 03/29/06

Democracy, Education, and
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- Private sector development projects have focused on training programs and technical advice to the Iraqi government on institutional and market reforms. These programs have helped to set the stage for economic growth based on private sector initiatives. The Iraqi economy grew by an estimated 75% between 2002 and 2005, and some of this growth is directly linked to U.S. programs.

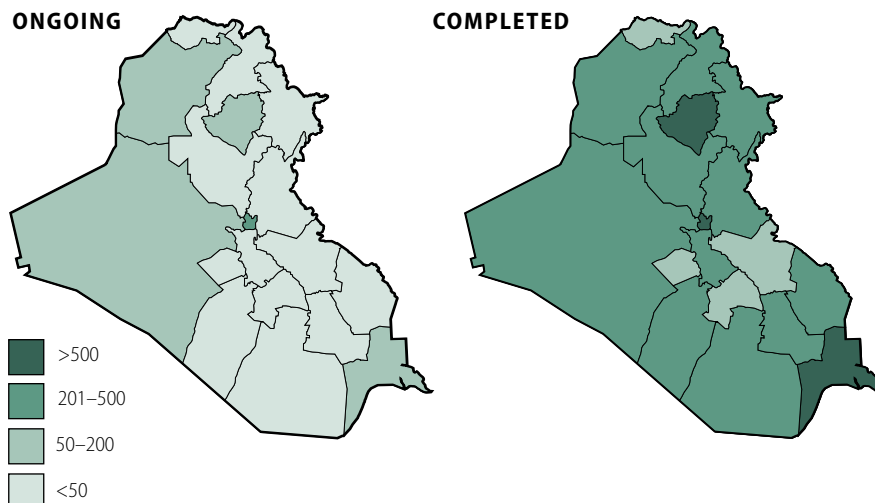
Figure 2-20 shows reconstruction activity in this sector by governorate.

IRRF-funded Activities in Democracy, Education, and Private Sector Development

By the end of this quarter, more than 93% of the sector's funding had been obligated, and 67% had been expended. Democracy, education, and private sector development were originally allocated \$533 million in November 2003,¹⁵⁶ but allocations have been increased to more than \$2.2 billion, for an increase of 322%, which is shown in Table 2-6. Figure 2-21 shows the status of funds in the democracy, education, and private sector development sector.

Three wars, sanctions, and massive corruption under the Saddam regime degraded Iraq's economy in every area. After the first Gulf War, there was little national investment in the services sector. The education system of Iraq was

Figure 2-20
**DEMOCRACY, EDUCATION, AND PRIVATE SECTOR
DEVELOPMENT PROJECTS BY GOVERNORATE**
Number of Projects
Source: IRMS-IRMO Rollup file, 03/31/06





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Figure 2-22
**STATUS OF DEMOCRACY, EDUCATION, AND
PRIVATE SECTOR DEVELOPMENT PROJECTS**
Number of Projects
Source: IRMS--IRMO Rollup File, 03/31/06

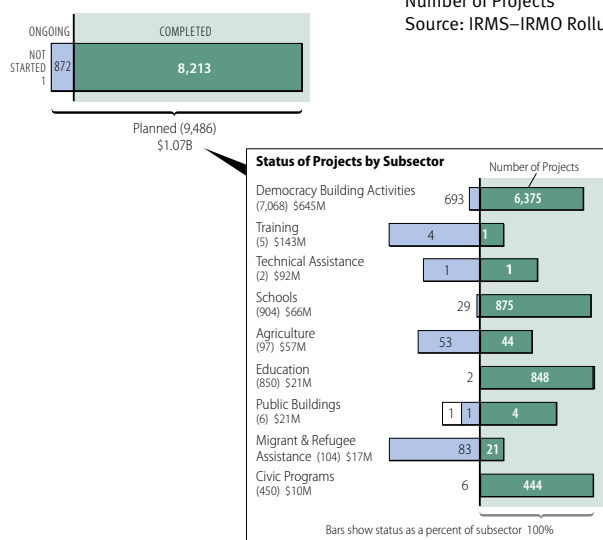
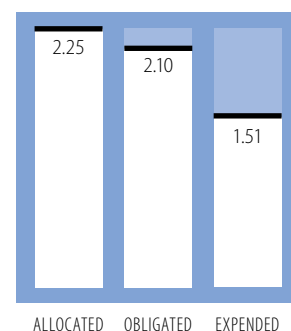


Figure 2-21
**STATUS OF DEMOCRACY, EDUCATION, AND
PRIVATE SECTOR DEVELOPMENT FUNDS**
\$ Billions
Source: DoS Iraq Weekly Status Report, 03/31/06



IRRF 2 ALLOCATION CHANGES FOR DEMOCRACY, EDUCATION, AND PRIVATE SECTOR DEVELOPMENT (DOLLARS IN MILLIONS)

2207 SECTOR	CONGRESSIONAL ALLOCATION, NOV. 2003	CURRENT ALLOCATION, MARCH 2006	CHANGE IN DOLLARS	PERCENTAGE CHANGE
Private Sector Development ¹	\$153	\$805	\$652	426%
Education, Refugees, and Human Rights	\$280	\$410	\$130	46%
Democracy ²	\$100	\$1,033	\$933	933%
Total for Democracy, Education, and Private Sector Development	\$533	\$2,248	\$1,715	322%

¹ \$360 million of private sector development is allocated to Iraqi debt forgiveness as required by Congress to enable implementation of the U.S.-Iraq bilateral debt agreement signed pursuant to the Paris Club debt forgiveness arrangement.

² \$100 million was made available for democracy-building activities from the justice, public safety infrastructure, and civil society sector.

Sources: U.S. Congress, Public Law 108-106, 117 Stat. 1225; DoS Iraq Weekly Status report, March 29, 2006.

Table 2-6



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once among the best in the region, but schools and universities seriously declined during the past two decades.

Although 8,613 projects have been completed (91%) in this sector, the project completion rate is not evenly distributed among subsectors: private sector development programs lag, as do projects focused on refugee assistance. Figure 2-22 shows the status of projects in the sector.

DEMOCRACY

Since the last quarter, democracy-building initiatives have received approximately \$38.5 million in additional funding,¹⁵⁷ reflecting the premium that the U.S. government places on consolidating the success of the nationwide elections in December 2005. The development of a broadly representative national unity government in Iraq is a key to stabilizing the country.¹⁵⁸

Democracy Projects Completed and Underway

During the quarter, the United States continued to promote IRRF-funded local democracy-building initiatives, working through the Coalition Provincial Reconstruction Teams (PRTs) and the newly created Provincial Reconstruction Development Councils (PRDCs). The PRDCs comprise local officials and community leaders in each of the 18

governorates who are empowered to make decisions about local reconstruction priorities. Staffed by both civilian and military personnel skilled in various development specialties, the PRTs will help monitor reconstruction programs and various outreach efforts in the governorates. PRT staff help the leaders of their respective governorates prioritize initiatives to address the needs of the local people. As funds become available, the PRTs use those funds to help execute contracts that address the concerns of the local people and generate short-term employment opportunities and civic education initiatives.¹⁶¹

Cumulatively, \$126 million in IRRF funding was obligated to oversee and support the election and political process.¹⁶³ Support has also been given to media training and coalition-building initiatives, including workshops and educational training, to encourage political parties not represented in parliament to remain engaged in the constitutional process.¹⁶⁴

USAID also manages a number of democratic development initiatives, including:

- Community Action Program (CAP)
- Iraqi Civil Society and Independent Media Program
- Local Governance Program II

Because of funding shortfalls, current plans are to fund only the Local Governance Pro-



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gram II in the future. This program promotes diverse and representative participation in local government in all 18 governorates. The program also offers training in government management and works with civil society organizations to help them become more involved in the public sector.

Outputs of IRRF-funded Democracy Projects

To date, only 4 of the 18 PRTs have been fielded, and a fifth is pending deployment. An agreement was reportedly reached in early-April 2006 between DoS and DoD, with DoD agreeing to provide security for the PRT teams already in the field.¹⁶⁷

According to USAID, 750,000 Iraqis have participated in 22,000 democracy dialogues initiated under the Local Governance Program II.¹⁶⁸ This program was also used to establish or rebuild 16 governorate councils, 90 district councils, 194 city or sub-district councils, and 437 neighborhood councils. The Local Governance Program II has also provided training to 88% of newly elected Iraqi political leaders, supported efforts to increase the participation and role of women in the new Iraqi democracy, and assessed PRDCs to help identify and prioritize local governance efforts.¹⁶⁹

The USAID CAP operates throughout Iraq to promote democracy and help mitigate conflict at the local level. This program has thus far established more than 1,400 community associations throughout the country and has created more than 2 million short-term jobs.¹⁷⁰

USAID also reports that the Civil Society

Program has issued 400 small grants, totaling \$3.5 million.

Outcomes of IRRF-funded Democracy Projects

The transition to democracy and representative government is a significant development for Iraq given its history. Representative structures are being built at the local and national levels. A persistent insurgency, ethno-sectarian violence, and human rights violations, however, all continue to threaten the development and consolidation of democratic governance.

Approximately 14,000 Iraqi citizens have received training on the role of elected members of parliament and how to advocate for citizens' rights,¹⁷² and more than 1,000 media managers have received training under CAP; smaller media outlets, in particular have demonstrated improved skills in reporting on complex social topics.¹⁷³ Finally, USAID activities helped provide electoral support to organize and manage the three milestone democratic events that occurred in January, October, and December 2005. Specifically, USAID-led initiatives helped build the capacity of Iraqi political parties, supported the transitional and constitutional processes, and promoted voter awareness.¹⁷⁴ For an overview of progress toward democracy in Iraq, see Figure 2-23.

EDUCATION

This section presents the key projects and outputs in the DoS *Section 2207 Report* sectors: Education, Refugees, Human Rights, and Gov-



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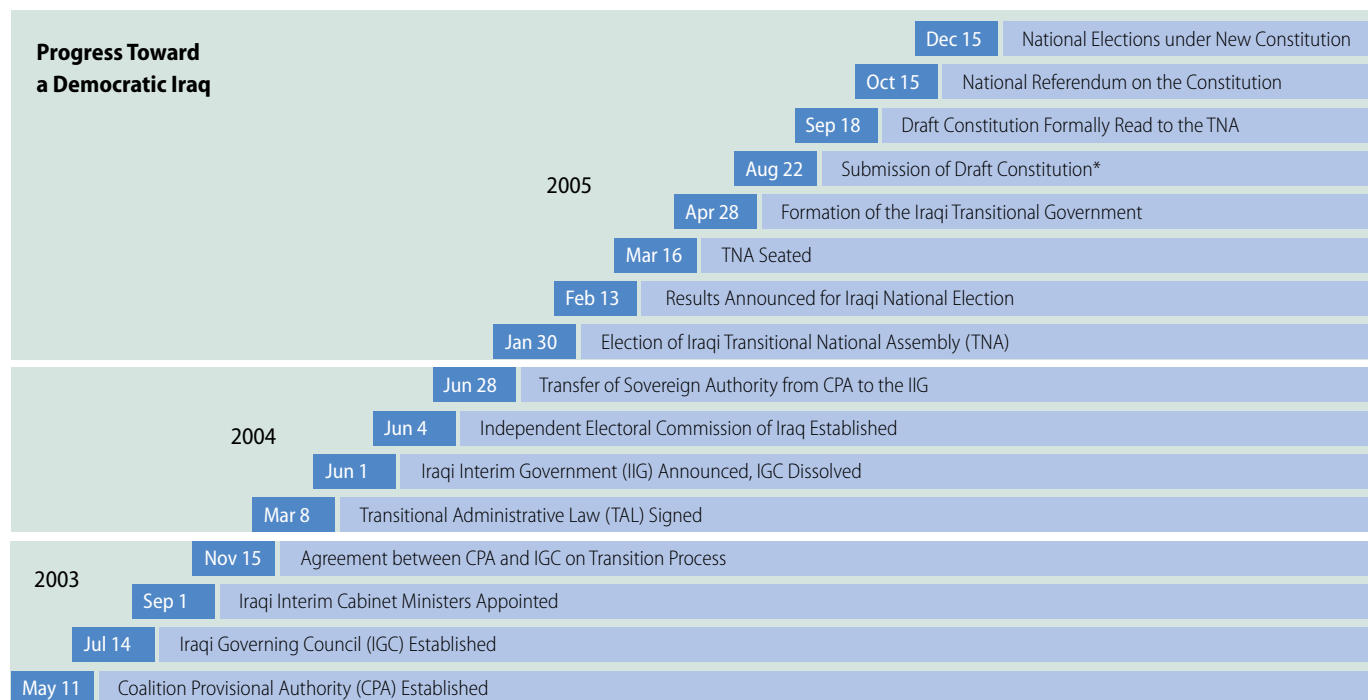


Figure 2-23

MILESTONES OF PROGRESS TOWARD A DEMOCRATIC IRAQ

Source: DoD 9010 Report, February 2006

*Pursuant to the TAL, the TNA extended the deadline from August 15 until August 22

ernance; and education construction projects in the Roads, Bridges, and Construction sector. The outcomes of education projects will not be realized for some years; therefore, SIGIR does not report on them in this subsection.

Education Projects Completed and Underway

Renovations on the Malk Al Ashtar School project in Diwaniyah were completed during this reporting period. This project will ben-

efit approximately 2,000 Iraqi students who are currently attending classes in two inferior facilities. Refurbishment of the Imam Ali School in Karbala was also completed, serving approximately 960 students.¹⁷⁵

In addition, the Al Watan School in Beni-Zaid has refurbished classrooms, offices, and storage rooms, as well as a new schoolyard for the secondary school. This work will benefit more than 300 local students. The Al Ara-



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biyah School in Istiglal also received repairs and upgrades of its structural, mechanical, plumbing, and electrical building systems, all to the benefit of approximately 250 students.¹⁷⁶ Construction on a \$100,000 USACE school renovation project in Adhamiyah was also recently completed; it is expected to benefit approximately 250 students in grades K-6.¹⁷⁷

In Section 3 of this Report, SIGIR reports its findings on inspections of various school construction projects. The inspections reveal that, although the quality of workmanship at a primary school in Dahuk was good, the quality of workmanship at three other school projects assessed in the governorate of Thi-Qar appears to be low.

Several non-construction projects have also been completed in this subsector. The Revitalization of Iraq Schools and Stabilization of Education (RISE) is funded through an IRRF 1 contract valued at \$62.6 million and an IRRF 2 contract valued at \$56.5 million (a total of \$119.1 million).

USAID has also partnered with the United Nations Children's Fund and the United Nations Educational, Scientific, and Cultural Organization to provide educational sector assessments, teacher training, health education, and an accelerated learning program for out-of-school youth. The programs have received grants of \$29.6 million.

More than \$20 million has gone to the Higher Education and Development Program, which partners higher education in Iraq with U.S.-led university consortiums.¹⁸⁰ More than

1,500 Iraqi faculty and students have benefited from this program.¹⁸¹

Outputs of IRRF-funded Education Projects

Until the 1980s, the education system in Iraq was considered to be a model for the region. However, the system has steadily deteriorated because of Saddam Hussein's neglect, a lack of resources during multiple wars, and the politicization of the system.¹⁸² In 2003, the UN/World Bank needs assessment reported that rehabilitating the Iraqi education system to its 1980s level must be at the heart of the reconstruction effort, and that it could take \$4.8 billion.

The major cause for the deterioration of the education sector's infrastructure was Saddam Hussein's decision to terminate almost all maintenance and new construction of school facilities after the 1991 Gulf War when international sanctions came into force. Education expenditures fell from \$620 per student in 1989 to \$47 in 2002. During the 2003 conflict, many school buildings were damaged further by bombing and looting.¹⁸³

Just before the 2003 war, there were more than 14,000 schools in Iraq; an estimated 11,000 of those needed repairs or refurbishments. The specific purpose of the GRD-PCO school program was to refurbish existing facilities to restore them to an acceptable level to promote a healthy learning environment.¹⁸⁴ In February 2003, USAID reported that the coalition goal for physical reconstruction of school facilities would be to repair or rehabili-



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tate 6,000 schools within 18 months after the end of conflict.¹⁸⁵

As of March 31, 2006, GRD-PCO reported that it has successfully constructed or refurbished 800 schools using IRRF 2 funds,¹⁸⁶ and USAID had reported the construction or refurbishment of 2,943 with funding from both IRRF 1 and IRRF 2.¹⁸⁷ In addition to the schools completed by PCO and USAID, 1,365 schools have been refurbished by MNF-I, which also includes funding through the Commander's Emergency Response Fund (CERP).¹⁸⁸

For a breakdown of total schools in Iraq versus IRRF funded activities, see Table 2-7.

Non-construction education projects have successfully trained thousands of teachers. USAID has also provided Iraqi schools with hundreds of thousands of desks, chairs, and

chalkboards, and more than three million school kits.¹⁸⁹ Table 2-8 shows the cumulative total of teachers trained with IRRF 2 funding.

REFUGEES, HUMAN RIGHTS, AND GOVERNANCE

This section presents projects covered in the DoS *Section 2207 Report* sector for Education, Refugees, Human Rights, and Governance. Results and effects are difficult to measure in the short term for refugees, human rights, and governance components of the subsector and so are not presented in this section.

Projects Completed and Underway

Migration and Refugee Assistance received an increase of \$27 million in IRRF 2 funding

TOTAL SCHOOLS IN IRAQ VERSUS IRRF FUNDED ACTIVITIES

TOTAL SCHOOLS (2003)	SCHOOLS NEEDING REPAIR (2003)	SCHOOLS COMPLETED	SCHOOLS IN PROGRESS	SCHOOLS NOT YET STARTED
14,121	11,000	2,358 – USAID IRRF 1 585 – USAID IRRF 2 800 – PCO IRRF 2 1,365 – MNF-I	N/A – USAID IRRF 1 221 – USAID IRRF 2 3 – (PCO) N/A – MNF-I	N/A – USAID IRRF 1 N/A – USAID IRRF 2 1 – PCO IRRF 2 N/A – MNF-I

Sources: DoS *Section 2207 Report* Executive Summary, April 2006, p. 18; USAID and PCO responses to SIGIR data calls on April 19, 2006.

TABLE 2-7



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CUMULATIVE TOTAL OF TEACHERS TRAINED WITH IRRF 2 FUNDING

OUTPUT METRIC	FUNDING	CURRENT STATUS AS OF 3/31/06	GOAL BY END-STATE
Teachers Trained	\$5.6 million	47,695	60,000

Sources: USAID, SIGIR Data Request submitted by DoS, March 24, 2006; USAID, Email to SIGIR, April 7, 2006; USAID, Email to SIGIR, April 19, 2006.

TABLE 2-8

last quarter, reaching \$186 million in total allocations. This includes cash grants for displaced persons, a capacity-building program, and work and relocation programs.¹⁹⁰

The DoS Bureau of Democracy, Human Rights, and Labor (DRL) and USAID have been allocated \$15 million to promote human rights in Iraq.¹⁹²

USAID is working on governance issues with the Ministry of Finance. Two contracts have been awarded to reform the tax, legal, fiscal, institutional, and regulatory frameworks in Iraq. The first, funded at \$79.6 million from IRRF 1, was completed in September 2004. The second, funded by \$184.6 million from IRRF 2, was awarded during the same month.¹⁹³ The U.S. Department of Treasury is working to establish modern central bank functions, with \$35.1 million from IRRF 1 and IRRF 2.¹⁹⁴ During the last quarter, bank restructuring recommendations were presented to the Ministry of Finance for consideration.¹⁹⁵

PRIVATE SECTOR DEVELOPMENT

This section presents the key projects in private sector development. SIGIR has not been able to verify the total number of Iraqis trained as a result of U.S. projects. It is difficult to measure the results of U.S. projects promoting institutional and market-based reforms in Iraq. As a result, outputs and outcomes are not presented for this subsector.

Projects Completed and Underway

USAID awarded two contracts in October 2004 for private sector development. The first—a \$154 million contract—was intended to provide assistance in privatizing state-owned enterprises, developing capital markets and trade policy, and training Iraqis in business management. The second—a \$12 million contract—was to build and maintain business centers that provide training and technical assistance to businesses.¹⁹⁶

At the program level, \$53 million has been made available for microfinance loans,¹⁹⁷ and \$184 million for institutional and market-



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based reforms. These reforms focus on helping develop the Iraq Stock Exchange, Iraq Securities Commission, and Iraq Association of Securities Dealers.¹⁹⁸ Work is also progressing on measures to support Iraq's membership in the World Trade Organization.

During last quarter, the \$75 million Vocational Training program was terminated because Iraq's government has changed priorities.²⁰⁰ A business skills training program, allocated \$40 million, was also closed out this

quarter by USAID. The program provided for \$3 million in grants for small and medium business startups, and training for 2,436 Iraqi entrepreneurs.²⁰²

The agriculture sector employs more Iraqis than any other sector; about a quarter of the Iraqi workforce is in the agriculture sector.²⁰³ Agriculture programs have been allocated \$105 million. These programs mainly focus on tractor repairs, training, and irrigation systems.²⁰⁴